

SOUTH HOLLAND DISTRICT COUNCIL

Report of: Portfolio Holder for Finance, Strategy & Partnerships and the Executive Director - Commercialisation (S151)

To: Cabinet 16 February 2021

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Subject: 2020/21 Financial Report Quarter 3

Purpose: To provide information on the Quarter 3 (to 31 December 2020) financial position of the Council.

Recommendation(s) to Cabinet:

- 1) That the report and **Appendix A** be noted.
- 2) That the estimated position with regard to the approved contributions to and use of reserves be noted.

Recommendation(s) to Council:

- 3) That the General Fund Capital programme be approved as set out in table 6 and 8 of **Appendix A**.
- 4) The NNDR S31 grant for expanded retail relief and the nursery reliefs in 2020/21 is carried forward in reserves to cover the NNDR deficits recognised in 2021/22 (as detailed in section 5.3.1)
- 5) That the income received from NNDR & Council Tax income compensation scheme be carried forward in a reserve to cover the deficits recognised in future years (as detailed in section 5.3.2)

1.0 BACKGROUND

1.1 Throughout the year quarterly monitoring reports are completed forecasting the expected year end out-turn against the budgets. This report provides information on the forecast full year financial performance at 31 December 2020, in the attached appendix, for the following areas:

- The General Fund Revenue Budget (GF),
- Housing Revenue Account (HRA),
- The General Fund and HRA Reserves Position,
- The Capital Programme for 2020/21 (GF and HRA), and

2.0 OPTIONS

2.1 To note the report and to approve the recommendations detailed above.

2.2 Do nothing.

3.0 REASONS FOR RECOMMENDATION(S)

3.1 To provide timely information to Members on the overall financial position of the Council.

4.0 EXPECTED BENEFITS

4.1 To ensure that members are updated regularly and in a timely fashion on the overall Council Financial position.

4.2 To make the best use of the funding available to the Council and allow us to respond quickly to opportunities as they arise.

5.0 IMPLICATIONS

5.1 This report is financial in nature. The outturn position in respect of the General Fund, HRA, Capital Programme, Reserves and Treasury Management are summarised below with further detail at **Appendix A**.

5.2 General Fund Revenue Outturn

5.2.1 Since the quarter 2 finance position was reported, an additional Government grant (£241k) to help support Councils with budget pressures resulting from the Covid pandemic has been received and we have more certainty on additional costs with each month that passes.

5.2.2 The first claim (£207k) for compensation to support losses of income as a result of compliance with Covid safety measures has been made to the Ministry of Housing, Communities and Local Government (MHCLG) and the monies have been received)

5.2.3 The full year outturn based on current projections and assumptions is a forecast service overspend in the General Fund of £2.157m, (17.2% of net budget) and includes the cost of Covid-19, unrealised savings and net pressures from services. After allowing for additional Government grants of £1.606m the Council is left with a projected net overspend of £551k (4.4% of net budget).

5.2.4

	Forecast Outturn Q2 £000	Forecast Outturn Q3 £000	Adverse/ (Favourable) Movement £000
Net Service Overspend	2,552	2,157	(395)
Additional Grant Income	(1,158)	(1,606)	(448)
Net Overspend	1,394	551	(843)

5.2.5 The forecast outturn position by Directorate is detailed at **Appendix A – Table 1** together with an analysis of service variations.

5.3 Business Rates & S31 Grants

5.3.1 As a result of the Covid pandemic, the Government announced expanded NNDR relief for Retail, Hospitality, Leisure and Nurseries, which totals around £8m for South Holland. Government have fully recompensed Councils for this lost income through NNDR S31 grants received in the current year.

5.3.2 In addition, the Government has announced 75% income compensation schemes for lost income in 2020/21 relating to irrecoverable Council Tax and Business Rates (NNDR), with values calculated at the end of the financial year & recognised in the current financial year.

5.3.3 Both these reliefs and irrecoverable income create a deficit to the council through lost NNDR and Council Tax income. Due to accounting rules, deficits on Council Tax and NNDR income are recognised in the following year (i.e. 2021/22) however, the income compensation will be paid in the current financial year. This report therefore includes a recommendation to Council requesting these grants are carried forward in full to next financial year to cover the deficits recognised.

5.4 Housing Revenue Account (HRA) Revenue Outturn

5.4.1 The HRA is forecasting a total surplus budget of (£2.996m), a favourable forecast of (£448k), detail is provided at **Appendix A - Table 2**.

5.5 Reserves (GF and HRA)

5.5.1 As a result of financing the Planned General Fund Capital Programme and General Fund revenue spend the General Fund Specific Reserves are forecasting a net use of reserves of £2.805m from £10.090m to £7.285m, further details are set out in **Appendix A - Table 3**.

5.5.2 In addition, the General Fund Reserve Balance remains at £2.078m.

5.5.3 The HRA General Reserve balance is forecasting an overall increase of £1.841m from £23.595m to £25.436m. More detail is provided at **Appendix A – Table 4**.

5.6 Capital – General Fund

5.6.1 **Appendix A – Table 5** details a change to the General Fund Capital Programme between Q2 and Q3. A decrease of £6.099m from £10.406m to £4.307m. **Appendix A Table 6** provides more detail.

5.6 Capital – HRA

5.6.1 **Appendix A – Table 7** details changes to the 2020/21 HRA Capital Budget between Q2 and Q3. A decrease of £5.706m from £12.077m to £6.371m. **Appendix A Table 8**.

5.7 Treasury Management

5.7.1 **Appendix A - Section 5** provides details of the Council Treasury Investments. Interest earned on investments during the year to 31 December 2020 was £273k (compared to the profiled budget of £410k), **Appendix A** provides more information on the investments held by the Council at 31 December 2020. The forecast income from investment interest has been set at £325k a reduction of income of £220k, (General Fund pressure of £139k and HRA pressure of £81k).

6 Other Key Items

6.1 Uncertainty over the Council's future funding sources remain as a result of the Chancellor of the Exchequer's confirmation that the review relating to the percentage of retained Business Rates has been delayed by Government from the planned implementation in 2021/22 alongside the Fair Funding review.

6.2 The Covid-19 pandemic has had a considerable impact on the Council, our businesses and our residents. It is difficult to quantify the financial effects of the pandemic with any certainty, the forecast pressure continues to be significant, even after the Government's emergency Covid-19 funding is taken into account. This continues to be a major area of risk looking forward as part of the Council's Medium Term Financial Planning and is being closely monitored.

7 WARDS/COMMUNITIES AFFECTED

7.1 Income and expenditure affect all wards of the Council.

8 ACRONYMS

8.1	GF	General Fund
	HRA	Housing Revenue Account
	HRT	Housing Repairs Team
	ICT	Information and Communications Technology
	MHCLG	Ministry of Housing, Communities and Local Government
	MTFS	Medium term Financial Strategy
	RTB	Right to Buy

Background papers: The 2020/21 Estimates Report to Council 26 February 2020
 Q1 Outturn 2020/21 to Cabinet 15 September 2020
 Q2 Outturn 2020/21 to Cabinet 27 October 2020

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Key Decision: No

Exempt Decision: No

This report refers to a Mandatory Service

Appendices attached to this report:

Appendix A Financial report for 2020/21 with details of the GF and HRA revenue spend, Reserves, Capital expenditure and Treasury Management.